

Form **2210**Department of the Treasury
Internal Revenue Service**Underpayment of
Estimated Tax by Individuals, Estates, and Trusts**

▶ See separate instructions.

▶ Attach to Form 1040, 1040A, 1040NR, 1040NR-EZ, or 1041.

OMB No. 1545-0140

2004Attachment
Sequence No. **06**

Name(s) shown on tax return

Identifying number

Do You Have To File Form 2210?

Complete lines 1 through 7 below. Is line 7 less than \$1,000? **Yes** → **Do not file Form 2210.** You do not owe a penalty.

No ↓

Complete lines 8 and 9 below. Is line 6 equal to or more than line 9? **Yes** → You do not owe a penalty. **Do not file Form 2210** (but if box **E** below applies, you must file page 1 of Form 2210 below).

No ↓

You may owe a penalty. Does any box in Part II below apply? **Yes** → You **must** file Form 2210. Does box **B**, **C**, or **D** apply?

No ↓ **Yes** → You must figure your penalty.

No ↓

Do not file Form 2210. You are not required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return (see page 2 of the instructions), but **do not file Form 2210**.

No ↓

You are **not** required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return (see page 2 of the instructions), but **file only page 1 of Form 2210**.

Part I Required Annual Payment (see page 2 of the instructions)

1	Enter your 2004 tax after credits from Form 1040, line 56 (or comparable line of your return)	1		
2	Other taxes, including self-employment tax (see page 2 of the instructions)	2		
3	Refundable credits. Enter the total of your earned income credit, additional child tax credit, credit for federal tax paid on fuels, and health coverage tax credit for eligible individuals	3	()
4	Current year tax. Combine lines 1, 2, and 3	4		
5	Multiply line 4 by 90% (.90)	5		
6	Withholding taxes. Do not include estimated tax payments. See page 2 of the instructions	6		
7	Subtract line 6 from line 4. If less than \$1,000, you do not owe a penalty; do not file Form 2210	7		
8	Maximum required annual payment based on prior year's tax (see page 2 of the instructions)	8		
9	Required annual payment. Enter the smaller of line 5 or line 8	9		

Next: Is line 9 more than line 6?

- ☐ **No.** You **do not** owe a penalty. **Do not file Form 2210** unless box **E** below applies.
- ☐ **Yes.** You may owe a penalty, but **do not file Form 2210** unless one or more boxes in Part II below applies.
- If box **B**, **C**, or **D** applies, you must figure your penalty and file Form 2210.
 - If only box **A** or **E** (or both) applies, file only page 1 of Form 2210. You are **not** required to figure your penalty; the IRS will figure it and send you a bill for any unpaid amount. If you want to figure your penalty, you may use Part III or IV as a worksheet and enter your penalty on your tax return (see page 2 of the instructions), but **file only page 1 of Form 2210**.

Part II Reasons for Filing. Check applicable boxes. If none apply, **do not file Form 2210**.

- A** ☐ You request a **waiver** (see page 1 of the instructions) of your entire penalty. You must check this box and file page 1 of Form 2210, but you are not required to figure your penalty.
- B** ☐ You request a waiver (see page 1 of the instructions) of part of your penalty. You must figure your penalty and waiver amount and file Form 2210.
- C** ☐ Your income varied during the year and your penalty is reduced or eliminated when figured using the **annualized income installment method**. You must figure the penalty using Schedule AI and file Form 2210.
- D** ☐ Your penalty is lower when figured by treating the federal income tax withheld from your wages as paid on the dates it was actually withheld, instead of in equal amounts on the payment due dates. You must figure your penalty and file Form 2210.
- E** ☐ You filed or are filing a joint return for either **2003** or **2004**, but not for both years, and line 8 above is smaller than line 5 above. You must file page 1 of Form 2210, but you are **not** required to figure your penalty (unless box **B**, **C**, or **D** applies).

Part III Short Method

You may use the short method if:

- You made no estimated tax payments (or your only payments were withheld federal income tax) **or**
- You paid estimated tax in **equal** amounts on your due dates.

You must use the regular method (Part IV) instead of the short method if:

- You made any estimated tax payments late,
- You checked box **C** or **D** in Part II, **or**
- You are filing Form 1040NR or 1040NR-EZ and you did not receive wages as an employee subject to U.S. income tax withholding.

Note: If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay a larger penalty than the regular method. If the payment was only a few days early, the difference is likely to be small.

10	Enter the amount from line 9, Form 2210	10		
11	Enter the amount, if any, from line 6, Form 2210	11		
12	Enter the total amount, if any, of estimated tax payments you made	12		
13	Add lines 11 and 12	13		
14	Total underpayment for year. Subtract line 13 from line 10. If zero or less, stop here; you do not owe the penalty. Do not file Form 2210 unless you checked box E on page 1	14		
15	Multiply line 14 by .0XXXXX	15		
16	<ul style="list-style-type: none"> • If the amount on line 14 was paid on or after 4/15/05, enter -0-. • If the amount on line 14 was paid before 4/15/05, make the following computation to find the amount to enter on line 16. <div style="text-align: center;"> Amount on line 14 × Number of days paid before 4/15/05 × .000XX </div>	16		
17	Penalty. Subtract line 16 from line 15. Enter the result here and on Form 1040, line 75 ; Form 1040A, line 48; Form 1040NR, line 73 ; Form 1040NR-EZ, line 26; or Form 1041, line 26, but do not file Form 2210 unless you checked a box in Part II on page 1 ►	17		

Part IV Regular Method (See page 2 of the instructions if you are filing Form 1040NR or 1040NR-EZ.)**Section A—Figure Your Underpayment****Payment Due Dates**

	(a) 4/15/04	(b) 6/15/04	(c) 9/15/04	(d) 1/15/05
18 Required installments. If box C in Part II applies, enter the amounts from Schedule AI, line 25. Otherwise, enter 25% (.25) of line 9, Form 2210, in each column				
19 Estimated tax paid and tax withheld (see page 2 of the instructions). For column (a) only, also enter the amount from line 19 on line 23. If line 19 is equal to or more than line 18 for all payment periods, stop here; you do not owe a penalty. Do not file Form 2210 unless you checked a box in Part II Complete lines 20 through 26 of one column before going to the next column.				
20 Enter the amount, if any, from line 26 in previous column				
21 Add lines 19 and 20				
22 Add the amounts on lines 24 and 25 in previous column				
23 Subtract line 22 from line 21. If zero or less, enter -0-. For column (a) only, enter the amount from line 19				
24 If line 23 is zero, subtract line 21 from line 22. Otherwise, enter -0-				
25 Underpayment. If line 18 is equal to or more than line 23, subtract line 23 from line 18. Then go to line 20 of the next column. Otherwise, go to line 26. ▶				
26 Overpayment. If line 23 is more than line 18, subtract line 18 from line 23. Then go to line 20 of the next column				

Section B—Figure the Penalty (Complete lines 27 through 34 of one column before going to the next column.)

	4/15/04	6/15/04	9/15/04	1/15/05
Rate Period 1 April 16, 2004—June 30, 2004				
27 Number of days from the date shown above line 27 to the date the amount on line 25 was paid or 6/30/04, whichever is earlier	Days:	Days:		
28 Underpayment on line 25 (see page 3 of the instructions) \times days on line 27 \times .05 ▶				
29 Number of days from the date shown above line 29 to the date the amount on line 25 was paid or 9/30/04, whichever is earlier	Days:	Days:	Days:	
30 Underpayment on line 25 (see page 4 of the instructions) \times days on line 29 \times .04 ▶				
Rate Period 2 July 1, 2004—September 30, 2004				
31 Number of days from the date shown above line 31 to the date the amount on line 25 was paid or 12/31/04, whichever is earlier	Days:	Days:	Days:	
32 Underpayment on line 25 (see page 4 of the instructions) \times days on line 31 \times .05 ▶				
Rate Period 3 October 1, 2004—December 31, 2004				
33 Number of days from the date shown above line 33 to the date the amount on line 25 was paid or 4/15/05, whichever is earlier	Days:	Days:	Days:	Days:
34 Underpayment on line 25 (see page 4 of the instructions) \times days on line 33 \times .0X ▶				
Rate Period 4 January 1, 2005—April 15, 2005				
35 Penalty. Add all amounts on lines 28, 30, 32, and 34 in all columns. Enter the total here and on Form 1040, line 75; Form 1040A, line 48; Form 1040NR, line 73; Form 1040NR-EZ, line 26; or Form 1041, line 26, but do not file Form 2210 unless you checked a box in Part II ▶				

Schedule AI—Annualized Income Installment Method (See pages 4 and 5 of the instructions.)

Estates and trusts, **do not** use the period ending dates shown to the right. Instead, use the following: 2/29/04, 4/30/04, 7/31/04, and 11/30/04.

	(a)	(b)	(c)	(d)
	1/1/04–3/31/04	1/1/04–5/31/04	1/1/04–8/31/04	1/1/04–12/31/04

Part I Annualized Income Installments

- 1 Enter your adjusted gross income for each period (see instructions). (Estates and trusts, enter your taxable income without your exemption for each period.)
 - 2 Annualization amounts. (Estates and trusts, see instructions.)
 - 3 Annualized income. Multiply line 1 by line 2
 - 4 Enter your itemized deductions for the period shown in each column. If you do not itemize, enter -0- and skip to line 7. (Estates and trusts, enter -0-, skip to line 9, and enter the amount from line 3 on line 9.)
 - 5 Annualization amounts
 - 6 Multiply line 4 by line 5 (see instructions if line 3 is more than \$71,350)
 - 7 In each column, enter the full amount of your standard deduction from Form 1040, line 39, or Form 1040A, line 24 (Form 1040NR or 1040NR-EZ filers, enter -0-. **Exception:** Indian students and business apprentices, enter standard deduction from Form 1040NR, line 36, or Form 1040NR-EZ, line 11.)
 - 8 Enter the **larger** of line 6 or line 7
 - 9 Subtract line 8 from line 3
 - 10 In each column, multiply \$3,100 by the total number of exemptions claimed (see instructions if line 3 is more than \$107,025). (Estates and trusts and Form 1040NR or 1040NR-EZ filers, enter the exemption amount shown on your tax return.)
 - 11 Subtract line 10 from line 9
 - 12 Figure your tax on the amount on line 11 (see instructions)
 - 13 Self-employment tax from line 34 below (complete Part II)
 - 14 Enter other taxes for each payment period (see instructions)
 - 15 Total tax. Add lines 12, 13, and 14
 - 16 For each period, enter the same type of credits as allowed on Form 2210, lines 1 and 3 (see instructions)
 - 17 Subtract line 16 from line 15. If zero or less, enter -0-
 - 18 Applicable percentage
 - 19 Multiply line 17 by line 18
- Complete lines 20–25 of one column before going to the next column.**
- 20 Add the amounts in all previous columns of line 25
 - 21 Subtract line 20 from line 19. If zero or less, enter -0-
 - 22 Enter 25% (.25) of line 9 on page 1 of Form 2210 in each column
 - 23 Subtract line 25 of the previous column from line 24 of that column
 - 24 Add lines 22 and 23
 - 25 Enter the **smaller** of line 21 or line 24 here and on Form 2210, line 18

1				
2	4	2.4	1.5	1
3				
4				
5	4	2.4	1.5	1
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	22.5%	45%	67.5%	90%
19				
20				
21				
22				
23				
24				
25				

Part II Annualized Self-Employment Tax (Form 1040 filers only)

- 26 Net earnings from self-employment for the period (see instructions)
- 27 Prorated social security tax limit
- 28 Enter actual wages for the period subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax
- 29 Subtract line 28 from line 27. If zero or less, enter -0-
- 30 Annualization amounts
- 31 Multiply line 30 by the **smaller** of line 26 or line 29
- 32 Annualization amounts
- 33 Multiply line 26 by line 32
- 34 Add lines 31 and 33. Enter here and on line 13 above

26				
27	\$21,975	\$36,625	\$58,600	\$87,900
28				
29				
30	0.496	0.2976	0.186	0.124
31				
32	0.116	0.0696	0.0435	0.029
33				
34				



2004

Department of the Treasury
Internal Revenue Service

Instructions for Form 2210

Underpayment of Estimated Tax by Individuals, Estates, and Trusts

Section references are to the Internal Revenue Code.



General Instructions

Purpose of Form

Generally, use Form 2210 to see if you owe a penalty for underpaying your estimated tax and, if you do, to figure the amount of the penalty. If you are not required to file Form 2210, you can use it to figure your penalty if you wish to do so. Enter the penalty on your return, but do not file Form 2210.

Who Must File Form 2210

In most cases you do not need to file Form 2210. The IRS will figure any penalty you owe and send you a bill. See *The IRS Will Figure the Penalty for You* below. Read the chart at the top of page 1 of Form 2210 to see if you need to file Form 2210.

The IRS Will Figure the Penalty for You

Because Form 2210 is complicated, we strongly encourage you to let us figure the penalty. If you owe it, we will send you a bill. And as long as you file your return by April 15, 2004, we will not charge you interest on the penalty if you pay by the date specified on the bill.

2005

If you want us to figure the penalty for you, complete your return as usual. Leave the penalty line on your return blank; do not file Form 2210.



See Part II of the form. If box B, C, or D is checked, you must figure the penalty yourself and attach a completed Form 2210 to your return.

Other Methods

We realize that there are different ways to figure the correct penalty. You do not have to use the method prescribed by Form 2210 as long as you enter the correct penalty amount on the penalty line of your return.

However, if you are required to file Form 2210 because one or more of the boxes in Part II applies to you, you must complete certain lines. If you use the short method, you must complete

lines 1–17. If you use the regular method, you must complete lines 1–9 and lines 18–35. If you use the annualized installment method (you checked box C), you must complete lines 1–9, Schedule AI, and Part IV, lines 18–35.

Who Must Pay the Underpayment Penalty

In general, you may owe the penalty for 2004 if you did not pay at least the smaller of:

- 90% of the tax shown on your 2004 tax return, or
- The tax shown on your 2003 tax return (110% of that amount if you are not a farmer or fisherman and your adjusted gross income (AGI) shown on that return is more than \$150,000, or, if married filing separately for 2004, more than \$75,000).

The penalty is figured separately for each installment due date. Therefore, you may owe the penalty for an earlier due date even if you paid enough tax later to make up the underpayment. This is true even if you are due a refund when you file your tax return. However, you may be able to reduce or eliminate the penalty by using the annualized income installment method. See the Schedule AI instructions beginning on page 5 for details.

Return. In these instructions, “return” refers to your original return. However, an amended return is considered the original return if it is filed by the due date (including extensions) of the original return. Also, a joint return that replaces previously filed separate returns is considered the original return.

Exceptions to the Penalty

You will not have to pay the penalty if either 1 or 2 applies.

1. You had no tax liability for 2003, you were a U.S. citizen or resident for the entire year, and your 2003 tax return was (or would have been had you been required to file) for a full 12 months.
2. The total tax shown on your 2004 return minus the amount of tax you paid through withholding is less than \$1,000. To determine whether the total tax is less than \$1,000, complete lines 1–7.

Special Rules for Farmers and Fishermen

If you meet both tests 1 and 2 below, you do not owe a penalty for underpaying estimated tax.

1. Your gross income from farming and fishing is at least $\frac{2}{3}$ of your annual gross income from all sources for 2003 or 2004.
2. You filed Form 1040 or 1041 and paid the entire tax due by March 1, 2005.

See Pub. 505, Tax Withholding and Estimated Tax, for the definition of gross income from farming and fishing.

If you meet test 1 but not test 2, use Form 2210-F, Underpayment of Estimated Tax by Farmers and Fishermen, to see if you owe a penalty. If you do not meet test 1, use Form 2210.

Waiver of Penalty

If you have an underpayment, all or part of the penalty for that underpayment will be waived if the IRS determines that:

- In 2003 or 2004, you retired after age 62 or became disabled and your underpayment was due to reasonable cause, or
- The underpayment was due to a casualty, disaster, or other unusual circumstance and it would be inequitable to impose the penalty.

To request a waiver, do the following.

- Check box A or B in Part II.
- If you checked box B, complete Form 2210 through line 16 (line 34 if you use the regular method) without regard to the waiver. Write the amount you want waived in parentheses on the dotted line next to line 17 (line 35 for the regular method). Subtract this amount from the total penalty you figured without regard to the waiver, and enter the result on line 17 (line 35 for the regular method).
- Attach Form 2210 and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements and the time period for which you are requesting a waiver.
- If you are requesting a waiver due to retirement or disability, attach



documentation that shows your retirement date (and your age on that date) or the date you became disabled.

- If you are requesting a waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as copies of police and insurance company reports.

The IRS will review the information you provide and decide whether to grant your request for a waiver.

Additional Information

See Pub. 505 for more details. It has examples of filled-in Forms 2210.

For guidance on figuring estimated taxes for trusts and certain estates, see Notice 87-32, 1987-1 C.B. 477.

Specific Instructions

Part I—Required Annual Payment

Complete lines 1–9 to figure your required annual payment.

If you file an amended return by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on the original return.

Exception. If you and your spouse file a joint return after the due date to replace previously filed separate returns, use the amounts shown on the joint return to figure your underpayment.

Line 1

Enter the amount from Form 1040, line 56; Form 1040A, line 36; Form 1040NR, line 51; or Form 1040NR-EZ, line 15. For an estate or trust, enter the amount from Form 1041, Schedule G, line 4.

Line 2

Enter the total of the following amounts on line 2.

- Self-employment tax.
- Tax from recapture of investment credit, low-income housing credit, qualified electric vehicle credit, Indian employment credit, new markets credit, or credit for employer-provided childcare facilities.
- Tax on early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.
- Tax on distributions from a Coverdell education savings account or a qualified tuition program not used for qualified education expenses.

- Tax on Archer MSA distributions not used for qualified medical expenses.
- Section 72(m)(5) penalty tax.
- Tax on golden parachute payments.
- Advance earned income credit payments.
- Tax on accumulation distribution of trusts.
- Interest due under sections 453(l)(3) and 453A(c) on certain installment sales of property.
- An increase or decrease in tax as a shareholder in a qualified electing fund.
- Tax on electing small business trusts included on Form 1041, Schedule G, line 7.
- Tax on income not effectively connected with a U.S. trade or business from Form 1040NR, lines 52 and 55.
- Household employment taxes (before subtracting advance EIC payments made to your employees; also see the instructions for line 12 or line 19). But do not include that amount if you do not have an amount on line 6, and the amount on line 4 (excluding household employment taxes) is less than \$1,000. If so, do not file this form; you do not owe the penalty.

Line 6

Enter the taxes withheld from Form 1040, lines 63 and 66; Form 1040A, line 39 (and any excess social security and tier 1 railroad retirement tax withheld included on line 43); Form 1040NR, lines 58, 60, 65, 66, and 67; or Form 1040NR-EZ, line 18. For an estate or trust, enter the amount from Form 1041, line 24e.

Line 8

Enter the tax shown on your 2003 tax return (110% of that amount if the adjusted gross income shown on that return is more than \$150,000, or, if married filing separately for 2004 more than \$75,000). Figure your 2003 tax using the taxes and credits shown on your 2003 tax return. Use the same type of taxes and credits as shown on lines 1, 2, and 3 of this Form 2210.

If you are filing a joint return for 2004, but you did not file a joint return for 2003, add the tax shown on your 2003 return to the tax shown on your spouse's 2003 return and enter the total on line 8 (figured as explained above). If you filed a joint return for 2003 but you are not filing a joint return for 2004, see Pub. 505 to figure your share of the 2003 tax to enter on line 8.

If you did not file a return for 2003 or your 2003 tax year was less than 12 months, do not complete line 8. Instead, enter the amount from line 5 on line 9. However, see *Exceptions to the Penalty* on page 1.

Part III—Short Method

If you can use the short method, complete lines 10–14 to figure your total underpayment for the year, and lines 15–17 to figure the penalty.

In certain circumstances, the IRS will waive all or part of the penalty if you have an underpayment on line 14. See *Waiver of Penalty* on page 1.

Line 12

If you are a household employer and made advance EIC payments, include those payments as estimated tax payments as of the date you paid the wages to your employees.

Part IV—Regular Method

Use the regular method if you are not eligible to use the short method.

Form 1040NR or 1040NR-EZ Filers

If you are filing Form 1040NR or 1040NR-EZ and did not receive wages as an employee subject to U.S. income tax withholding, the instructions for completing Part IV are modified as follows.

1. Skip column (a).
2. In line 18, column (b), enter $\frac{1}{2}$ of the amount on line 9 of Part I (unless you are using the annualized income installment method).
3. In line 19, column (b), enter the total tax payments made through June 15, 2004, for the 2004 tax year. If you are treating federal income tax (and excess social security or railroad retirement tax) as having been withheld evenly throughout the year, you are considered to have paid $\frac{1}{3}$ of these amounts on each payment due date.
4. Skip all lines in column (b) that are shaded in column (a).

Section A—Figure Your Underpayment

Line 18

Enter on line 18, columns (a)–(d), the amount of your required installment for the due date shown in each column heading. For most taxpayers, this is $\frac{1}{4}$ of the required annual payment shown on Part I, line 9. However, it may be to your benefit to figure your required installments by using the annualized income installment method. See the Schedule AI instructions beginning on page 5.

Line 19

Enter the estimated tax payments you made plus any withheld federal income tax and excess social security and railroad retirement tax, for the 2004 tax year. If you are a household employer and made advance EIC payments,

include those payments as estimated tax payments as of the date you paid the wages to your employees.

In column (a), enter the tax payments you made by April 15, 2004; in column (b), enter payments you made after April 15 through June 15, 2004; in column (c), enter payments you made after June 15 through September 15, 2004; and in column (d), enter payments you made after September 15, 2004, through January 15, 2005.

When figuring your payment dates and the amounts to enter on line 19 of each column, apply the following rules.

- For withheld federal income tax and excess social security or railroad retirement tax, you are considered to have paid $\frac{1}{4}$ of these amounts on each payment due date unless you can show otherwise.



If you treat withholding as paid for estimated tax purposes when it was actually withheld, you must check box D in Part II and complete and attach Form 2210 to your return.

- Include in your estimated tax payments any overpayment of tax from your 2003 tax return that you elected to apply to your 2004 estimated tax. If you file your return by the due date (including extensions), treat the overpayment as a payment made on April 15, 2004.
- If you file your return and pay the tax due by January 31, 2005, include on line 19, column (d), the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 15, 2005.
- If you paid estimated tax on January 16, 17, or 18, 2005, it is considered paid on January 15, 2005, to the extent it is applied to the fourth required installment.

Line 25

If line 25 is zero for all payment periods, you do not owe a penalty. But if you checked box C or D in Part II, you must file Form 2210 with your return. If you checked box E, you must file page 1 of Form 2210 with your return.

In certain circumstances, the IRS will waive all or part of the penalty if you have an underpayment on line 25. See *Waiver of Penalty* on page 1.

Section B—Figure the Penalty



Read the following instructions and examples first before completing Section B.

Figure the penalty by applying the appropriate rate against each underpayment shown on line 25. The

penalty is figured for the number of days that the underpayment remained unpaid.

The rates are established at various times throughout the year. For the period covered by the 2004 Form 2210, there were XXX rates in effect over four rate periods. If an underpayment remained unpaid for more than one rate period, the penalty on that underpayment will be figured using more than one rate period.

Use lines 27, 29, 31, and 33 to figure the number of days the underpayment remained unpaid. Use lines 28, 30, 32, and 34 to figure the actual penalty amount by applying the rate against the underpayment for the number of days it remained unpaid.

Your payments are applied to any underpayment balance on an earlier installment. It does not matter if you designate a payment for a later period. For example, you had an underpayment for the April 15 installment of \$500. The June 15 installment required a payment of \$1,200. On June 10, you made a payment of \$1,200 to cover the June 15 installment. However, \$500 of this payment is applied to the April 15 installment. The penalty for the April 15 installment is figured to June 10 (56 days). The amount applied to the June 15 installment is \$700.

List your payments after 4/15/04.

Before figuring your penalty in Section B, it will be helpful to list the payments you made after April 15, 2004, as shown in the tables below.

Table 1
Payments after 4/15/04 through 6/30/04

Date	Payments

Table 2
Payments after 6/30/04 through 9/30/04

Date	Payments

Table 3
Payments after 9/30/04 through 12/31/04

Date	Payments

Table 4
Payments after 12/31/04 through 4/15/05

Date	Payments

In each table, list only the payments made during the dates shown in the table heading. Also, apply the following rules.

- Any withheld federal income tax and excess social security or railroad retirement tax should be included. You are considered to have paid $\frac{1}{4}$ of these amounts on each payment due date unless you can show otherwise. For example, if you had federal income tax withheld from your wages of \$4,000 during the year, list \$1,000 as paid on 6/15/04, 9/15/04, and 1/15/05 in the applicable table. Do not list the withholding attributable to the first payment due date (4/15/04).
- For Table 4, any balance due of income tax that you pay with your tax return is considered a payment for this purpose and should be listed. Use the date you file your return or 4/15/05, whichever is earlier, as the payment date.

Total days per rate period. If an underpayment remained unpaid for an entire rate period, use the chart below to determine the number of days to enter in each column. The chart is organized in the same format as Form 2210, Part IV, Section B.

Chart of Total Days

Rate Period	(a)	(b)	(c)	(d)
1 (Line 27)	76	15	—	—
2 (Line 29)	92	92	15	—
3 (Line 31)	92	92	92	—
4 (Line 33)	105	105	105	90

For example, if you have an underpayment on line 25, column (a), but show no payments in Table 1, you would enter "76" on line 27, column (a).

The following line-by-line instructions apply only to **Section B, column (a)**. If there is an underpayment shown in column (b), (c), or (d) on line 25, complete lines 27 through 34 for those columns in a similar manner.

Rate Period 1

Line 27

Enter on line 27, column (a), the number of days from 4/15/04 to the date of the first payment listed in Table 1. If no payments are listed, enter "76."

Example 1. You had an underpayment of \$5,000 on line 25 and your first payment shown in the table was made on 4/30/04 in the amount of \$3,000. Enter "15" on line 27, column (a) (days from 4/15 to 4/30).

Line 28

Make the computation requested on line 28 and enter the result. Note that the computation calls for the "underpayment on line 25." The amount you use as the "underpayment" depends on whether or not a payment is listed in Table 1.

If there is a payment listed in Table 1.

1. On a separate sheet of paper, apply the payment to the underpayment shown on line 25. The "underpayment" for the computation on line 28 is the amount of the payment applied to the line 25 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 28 computation.

Example 2. Assume the same facts as in Example 1. Because you paid \$3,000 toward the underpayment, enter \$6.15 on line 28 ($\$3,000 \times 15/366 \times .05$).

Example 3. Your underpayment on line 25 was \$5,000 and you paid \$8,000 on 4/30/03. Because your payment was more than your underpayment, you would apply \$5,000 to the underpayment. Enter \$10.25 on line 28 ($\$5,000 \times 15/366 \times .05$).

If there are no payments listed in Table 1. The "underpayment" is the entire underpayment balance.

Determine If You Need To Make Additional Computations for Column (a)

Whether you need to make additional computations depends on which of the following four conditions applies to you.

1. **The first (or only) payment listed in Table 1 was enough to reduce the underpayment to zero.** There are no further computations to make for column (a). Figure the penalty for any other underpayments shown in line 25, columns (b)–(d).

2. **No payments are listed in Table 1.** You will need to figure the penalty for the next rate period. See *Rate Period 2* on this page.

3. **The payment listed in Table 1 did not reduce the underpayment to zero, and no other payments are listed.** Make one more computation for column (a) on lines 27 and 28. This second computation is to figure the penalty on the underpayment balance; that is, the portion of the underpayment that remained unpaid for the entire period. In this case, you would enter another number in the entry space for lines 27 and 28, as follows:

- On line 27, enter "76." This is the total number of days in the period. See *Total days per rate period* on page 3.
- On line 28, make the computation and enter the result. In this case, however, the "underpayment" in the computation is the remaining balance of the underpayment.

Example 4. Assume the same facts as in Examples 1 and 2. After applying the \$3,000 payment, the underpayment balance is \$2,000. Line 28, therefore, will contain a second entry of \$20.77 ($\$2,000 \times 76/366 \times .05$). Go to line 29 to figure the penalty on the underpayment balance for Rate Period 2.

4. **Additional payments are listed in Table 1 and the first payment was not enough to reduce the underpayment to zero.** On line 25, you may list the amounts and the payment dates that apply to the underpayment for that installment period. Then figure the penalty for each amount listed on line 25. If an underpayment balance remains after applying all the payments, figure the penalty on the balance of the underpayment for the entire period. See *Total days per rate period* on page 3.

Example 5. Your underpayment for column (a) is \$5,000 and you made two payments: \$3,000 on 4/30/03 and \$2,000 on 6/22/03. On line 25, you enter \$5,000 or enter each payment and date separately, which will correspond with the two entries on lines 27 and 28 as explained below.

Line 27 will show two entries in column (a) as follows: "15" days (from 4/15 to 4/30) and "68" days (from 4/15 to 6/22).

Line 28 will show two entries in column (a) as follows: \$6.15 ($\$3,000 \times 15/366 \times .05$) and \$18.58 ($\$2,000 \times 68/366 \times .05$).

Example 6. Your underpayment on line 25, column (a), is \$8,000 and you made two payments: \$3,000 on 4/30/04 and \$3,000 on 6/22/04. Lines 27 and 28 will each show three entries in

column (a); one for each payment and a third for the underpayment balance of \$2,000 (\$8,000 minus \$6,000).

Line 27 will show "15" days (from 4/15 to 4/30), "68" days (from 4/15 to 6/22), and "76" days (from 4/15/04 to 6/30/04).

Line 28 will show \$6.15, \$27.87, and \$20.77, computed as follows: $\$3,000 \times 15/366 \times .05$ (first payment), $\$3,000 \times 68/366 \times .05$ (second payment), and $\$2,000 \times 76/366 \times .05$ (remaining underpayment balance).

Then figure the penalty for Rate Period 2 (lines 29 and 30) on the remaining \$2,000 balance.

Rate Period 2

If an underpayment balance remains after applying any payments in Table 1, figure the penalty attributable to that balance on lines 29 and 30. Generally, use the same steps as explained under the instructions for Rate Period 1. But use the dates and interest rate shown on lines 29 and 30 and use only the payments listed in Table 2.

Line 29

Enter on line 29, column (a), the number of days from 6/30/04 to the date of the first payment listed in Table 2. If no payments are listed in Table 2, enter "92."

Line 30

Figure line 30 in the same manner as explained for line 28, except use 4% instead of 5%.

Rate Period 3

If an underpayment balance remains after applying any payments in Tables 1 and 2, figure the penalty attributable to that balance on lines 31 and 32. Generally, use the same steps as explained under *Rate Period 1* on this page. But use the dates and interest rate shown on lines 31 and 32 and use only the payments listed in Table 3.

Line 31

Enter on line 31, column (a), the number of days from 9/30/04 to the date of the first payment listed in Table 3. If no payments are listed in Table 3, enter "92."

Line 32

Figure line 32 in the same manner as explained for line 28, except use 5% instead of 4%.

Rate Period 4

If an underpayment balance remains after applying any payments in Tables 1, 2, and 3, figure the penalty attributable to that balance on lines 33 and 34. Generally, use the same steps as explained under *Rate Period 1* on page 4. But use the dates and interest

rate shown on lines 33 and 34 and use only the payments listed in Table 4.

Line 33

Enter on line 33, column (a), the number of days from 12/31/04 to the date of the first payment listed in Table 4. If no payments are listed in Table 4, enter "105."

Line 34

Figure line 34 in the same manner as explained for line 28, except use X% instead of 5% and a denominator of 365 instead of 366.

Schedule AI— Annualized Income Installment Method

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Schedule AI to figure the required installments to enter on Form 2210, line 18.

If you use Schedule AI for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, Schedule AI automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

To use the annualized income installment method, you must do all three of the following.

1. Enter the amount from Schedule AI, line 25, in each column of Form 2210, line 18.
2. Check box C in Part II.
3. Attach both Form 2210 and Schedule AI to your return.

Additional Information

See Pub. 505 for more details about the annualized income installment method and a completed example. Estates and trusts with short tax years, see Notice 87-32.

Form 1040NR or 1040NR-EZ Filers

If you are filing Form 1040NR or 1040NR-EZ and you did not receive wages as an employee subject to U.S. income tax withholding, the instructions for Schedule AI are modified as follows.

1. Skip column (a).
2. Enter on line 1 your income for the period that is effectively connected with a U.S. trade or business.

3. Increase the amount on line 17 by the amount determined by multiplying your income for the period that is not effectively connected with a U.S. trade or business by the following.

- In column (b), 72%.
- In column (c), 45%.
- In column (d), 30%.

However, if you can use a treaty rate lower than 30%, use the percentages determined by multiplying your treaty rate by 2.4, 1.5, and 1, respectively.

4. Enter in line 22, column (b), $\frac{1}{2}$ of the amount from Form 2210, Part I, line 9. In columns (c) and (d), enter $\frac{1}{4}$ of that amount.

5. Skip column (b), lines 20 and 23.

Part I—Annualized Income Installments

Line 1

Figure your total income for the period minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

If you are self-employed, be sure to take into account the deduction for one-half of your self-employment tax. To figure this amount for each period, complete Schedule AI, Part II, and divide the amount in each column on line 34 by 8, 4.8, 3, and 2, respectively.

Line 2

Estates and trusts, do not use the amounts shown in columns (a)–(d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 6

Multiply line 4 by line 5 and enter the result on line 6. But if line 3 is more than \$142,700 (\$71,350 if married filing separately), use the following worksheet to figure the amount to enter on line 6.

1. Enter the amount from Schedule AI, line 4
2. Enter the amount included on line 1 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses
3. Subtract line 2 from line 1
4. Enter the number from Schedule AI, line 5
5. Multiply the amount on line 1 by line 4

Note: If the amount on line 3 is zero, stop here and enter the amount from line 5 on Schedule AI, line 6.

6. Multiply the amount on line 3 by the number on line 4
7. Multiply the amount on line 6 by .80
8. Enter the amount from Schedule AI, line 3
9. Enter \$142,700 (\$71,350 if married filing separately)
10. Subtract line 9 from line 8
11. Multiply the amount on line 10 by .03
12. Enter the smaller of line 7 or line 11
13. Subtract line 12 from line 5. Enter the result here and on Schedule AI, line 6

Line 10

Multiply \$3,100 by your total exemptions. But if line 3 is more than the amount shown for your filing status in the table below, use the following worksheet to figure the amount to enter on line 10.

Single	\$142,700
Married filing jointly or qualifying widow(er)	\$214,050
Married filing separately	\$107,025
Head of household	\$178,350

1. Enter the amount from Schedule AI, line 3
2. Enter the amount shown for your filing status from the above table
3. Subtract line 2 from line 1
4. Divide the amount on line 3 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next whole number
5. Multiply the number on line 4 by .02. Enter the result as a decimal but not more than 1
6. Multiply \$3,100 by your total exemptions

7. Multiply the amount on line 6 by the decimal on line 5
8. Subtract line 7 from line 6. Enter the result here and on Schedule AI, line 10

Line 12

To compute the tax, use the Tax Table, Tax **Computation Worksheet**, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D **Tax Worksheet, Schedule J**, or Form 8615.

Line 14

Enter all of the other taxes you owed because of events that occurred during the months shown in the column headings. Include the same taxes used to figure Form 2210, line 2, (except self-employment tax), the tax from Form 4972, Tax on Lump-Sum Distributions, and any alternative minimum tax (AMT). Individuals, use Form 6251, Alternative Minimum Tax—Individuals, to figure AMT; estates and trusts, use Schedule I of Form 1041, U.S. Income Tax Return for Estates and Trusts. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings. Multiply this amount by the annualization amounts shown on Schedule AI, line 2, before subtracting the AMT exemption.

Line 16

Enter the credits you are entitled to because of events that occurred during

the months shown in the column headings. Do not annualize any credit. However, when figuring your credits, you must annualize any item of income or deduction used to figure the credit. For details, see Rev. Rul. 79-179, 1979-1 C.B. 436.

Part II—Annualized Self-Employment Tax

If you had net earnings from self-employment during any period, complete Part II for that period to figure your annualized self-employment tax.

If you are married and filing a joint return and both you and your spouse had net earnings from self-employment, complete a separate Part II for each spouse. Enter on line 13 the combined amounts from line 34 of both Parts II.

Line 26

To figure your net earnings from self-employment on line 26, multiply your net profit from all trades or businesses for each period by 92.35%. If you completed the **2004 Annualized Estimated Tax Worksheet** on **pages 26 and 27** of Pub. 505 (**Rev. February 2004**), carry the amounts from line 26 of that worksheet to Schedule AI, line 26.

Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with

these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average times are:

	Short Method	Regular Method
Recordkeeping	13 min.	13 min.
Learning about the law or the form	15 min.	31 min.
Preparing the form	32 min.	56 min.
Copying, assembling, and sending the form to the IRS	16 min.	41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

